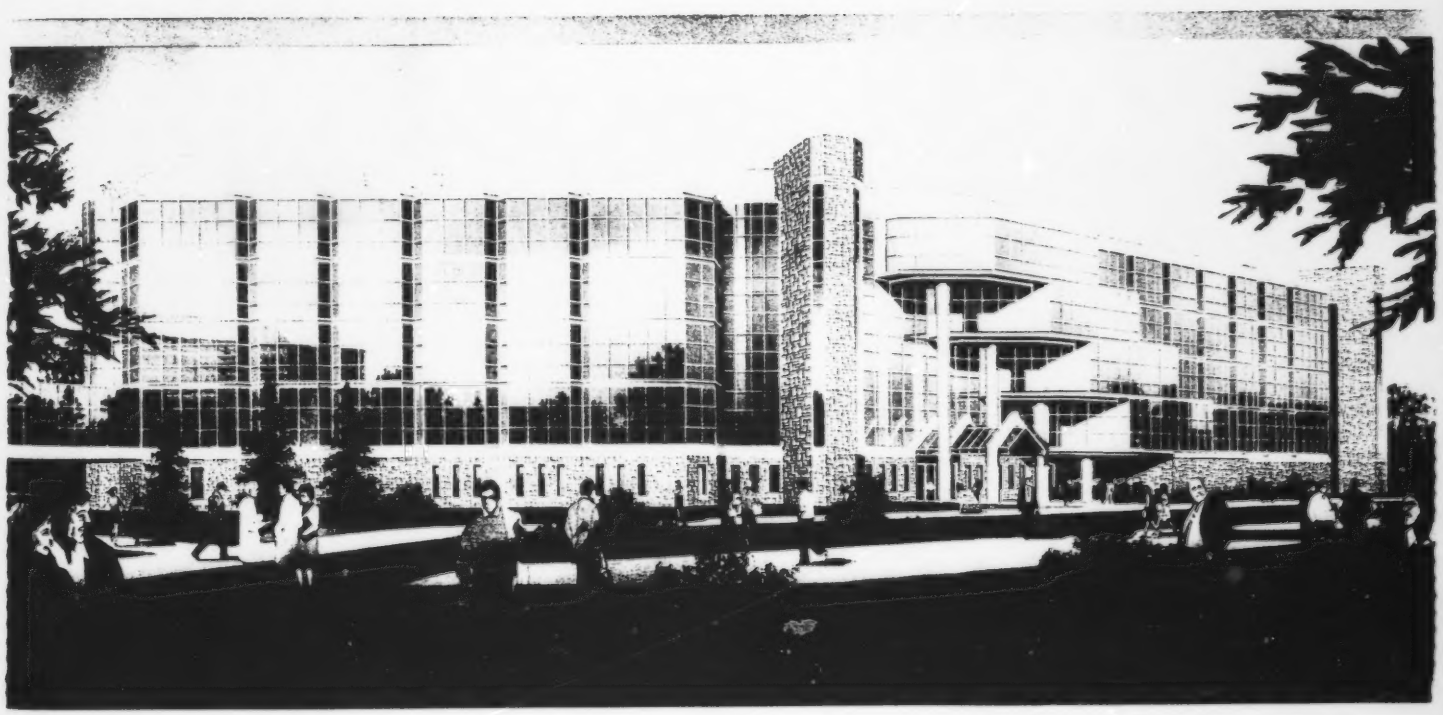
Saskatchewan
Property Management
Corporation

Annual Report 1988-89



The rural service centre at Watrous is one of three opened during 1988-89. By the end of 1989, centres will be providing information vital to rural operations in more than 50 locations across the province. SPMC is involved in setting up the rural service centre network, and designed the sign using a western red lily.

About the Cover

SPMC is financing the College of Agriculture Building on the University of Saskatchewan campus, one of three special projects undertaken during 1988-89.

Letter of Transmittal

Hon. Graham Taylor
Chairman of the Board of Directors

Regina, Saskatchewan
June 28, 1989

To Her Honour
The Honourable Sylvia O. Fedoruk, OC, SOM
Lieutenant Governor of the Province of Saskatchewan

Your Honour,

I have the honour to submit herewith the Annual Report of the Saskatchewan Property Management Corporation for the period April 1, 1988, to March 31, 1989. Included are financial statements for the year duly certified by Deloitte Haskins + Sells, chartered accountants, and in a form approved by the Treasury Board, all in accordance with the Saskatchewan Property Management Corporation Act.

I have the honour to be,
Your obedient servant,

Graham Taylor
Minister Responsible for
Saskatchewan Property Management Corporation

Message From the President

Otto Cutts
President

Since becoming the Saskatchewan Property Management Corporation, we have been driven by a major goal: to meet clients' needs with the utmost efficiency. Managers have focussed on the ongoing development of the corporation as a competitive property management business, using a private sector approach to managing our portfolio. The high quality services offered are derived from this business approach and the flexibility and dedication of SPMC employees.

I am pleased with SPMC's progress during the second operational year as a Provincial Crown Corporation, and will share with you some success stories from the past twelve months.

The University of Saskatchewan will be proud to offer students from around the world a chance to study at the new College of Agriculture Building made possible through our capital financing program. SPMC is financing more than 85 per cent of the total project cost through an agreement with the University and the provincial departments of Education and Agriculture.

In the interests of better trade among western provinces resulting from the Western Trade Barrier Reduction Agreement, the corporation initiated work on an electronic network to provide information on tendering, contracts and purchasing across western Canada. The network will be a cornerstone in the foundation of improved trade between Saskatchewan and British Columbia, Alberta and Manitoba.

The Whitespruce Youth Treatment Centre, a facility for the treatment of young alcohol and drug abusers, will soon be in full operation. After purchasing and modifying a surplus federal radar base at Orcadia to house the treatment facility, work continued in 1988-89 with completion of the administration building and renovations to the food service and counselling areas. The facility, which can accommodate 30 permanent and 18 temporary clients, will be finished by September of 1989. SPMC is proud to be a part of this initiative to combat the problem of youth alcohol and drug addiction.

SPMC is in the process of building Rural Service Centres in more than 50 locations across the province to help make government more accessible to Saskatchewan citizens. With centres currently functioning in Leader, Wolseley and Watrous, our plans call for completion of construction of the other centres by the end of the coming year. This project will bring up to date, necessary information to rural operations, solidifying rural business, and benefiting every resident of the province.

These, of course, represent only some of the highlights of an outstanding year for SPMC. As clients, business people and taxpayers, I anticipate you will be equally interested in how the corporation intends to extend its success into the future. I respectfully offer my vision for the company for the next year.

Continued planning for the future ensures the corporation remains on course. Our new global capital forecast will act as a guide leading us through important financial decisions.

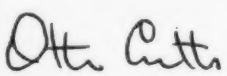
The corporation will work to develop an atmosphere that fosters creativity and resourcefulness in all employees. Individual employees continue to emphasize quality service at all levels of the corporation.

Our philosophy of offering the highest quality service for the lowest possible price remains strong. Understanding that the future depends on the ability to anticipate, understand and accommodate client needs, we will continue to grow as a client-driven organization.

While the efficiency and strength of an organization is often dictated by its bottom line, its future success can only be derived from the enthusiasm and commitment of the men and women who make the corporation function.

With the roll-over from the Department of Supply and Services complete, the SPMC team looks to the future with excitement, and is prepared to move forward into tomorrow to further its goals.

We commend the Saskatchewan Property Management Corporation Board of Directors for their guidance and direction during the year.



Otto Cutts
President

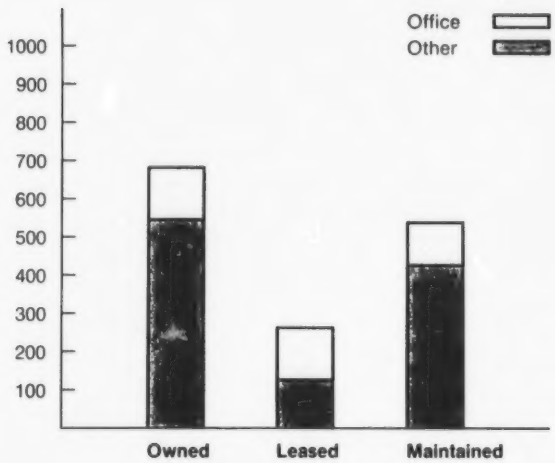
SPMC and its Business

The Saskatchewan Property Management Corporation is a provincially-owned crown corporation established in March 1986 to assume public works activities, real estate management and capital project financing for the Province of Saskatchewan. Service offerings to our clients include accommodation, transportation, mail delivery, photographic services, communications, warehousing, distribution of supplies, equipment leasing and procurement of commodities.

We have completed our second operational year successfully meeting the challenges of building a corporation we can be proud of, using state-of-the-art technology and showing commitment to both clients and stakeholders. We look back with pride on our achievements and forward to building further success in the future.

Previously a federal radar base, the Whitespruce Youth Treatment Centre is a state-of-the-art facility for combatting teen alcohol and drug abuse.

Square Metres of Property
(in thousands)



Managing our Real Estate

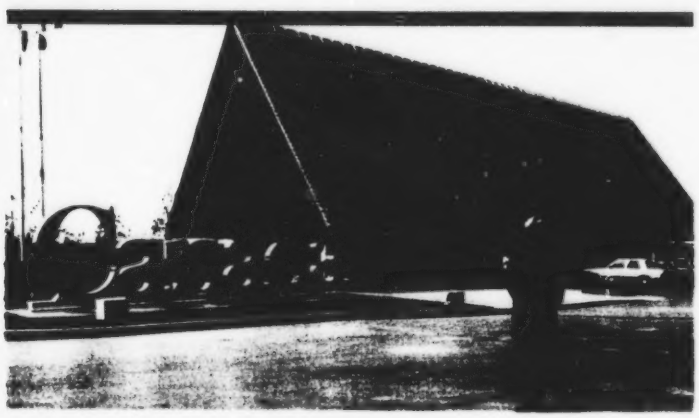
Managing a large real estate portfolio is one of the more critically important functions at SPMC. The corporation is responsible for the overall management of over 1650 buildings and 400 sites valued at over $550 million in more than 200 communities across Saskatchewan. Maintaining and operating these properties requires an annual budget of more than $126 million.

During the 1988-89 fiscal year, major efforts were directed at reviewing and updating the inventory of space for each client, monitoring the property portfolio and market conditions, and maintaining and improving a state-of-the-art property management system geared to further improving our response to clients and managing our investment.

During the year, accommodation master plans were reviewed and updated for 75 communities across the province. The plans are designed to maximize the cost efficiency of the overall accommodation inventory in future years, and further reduce vacancy rates that are already below industry standards.

The property management successes in 1988-89 have made a significant contribution to the corporate bottom line. Approximately 90 per cent of all buildings maintained by SPMC are included in the planned, established program of preventive maintenance. New approaches and initiatives for energy management provide tangible benefits to the corporation. To cite a few examples: oxygen analyzers have been installed on large boilers resulting in a fuel reduction approaching 10 per cent; air conditioners programmed for predetermined sequences have yielded significant savings during the cooling season; and venture capital agreements have been negotiated to upgrade energy management equipment.

The key to success in many businesses, including property management, is commitment to customer service. Development of our Client Services Branch has streamlined our working relationship with customers. Client Service Managers each handle a portfolio of clients and work with all branches in the corporation to meet client needs. A Client Services Directory was produced to help clients become familiar with the wide range of services the corporation offers.

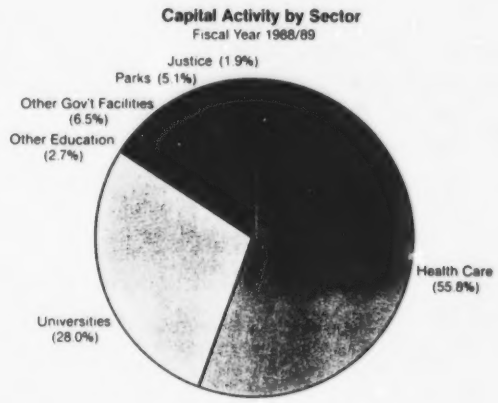


The North Portal visitor centre welcomes visitors from south of the border.

Building a future for Saskatchewan

In 1988-89, the corporation continued its thrust to improve the planning and delivery of capital projects, ensuring good value for the government's capital investment.

More than $83 million was spent by SPMC during the year for the delivery and financing of capital projects. The majority of funding went to projects such as the College of Agriculture Building on the University of Saskatchewan campus and construction of the new Saskatoon City Hospital. More than $67 million was provided for financing of capital construction.



The delivery of capital projects is an important part of corporate operations. During the 1988-89 fiscal year we were involved with several key construction and renovation projects such as the Whitespruce Youth Treatment Centre and initiation of a Rural Service Centre network across the province.

SPMC is preparing the west wing of the TC Douglas Building to house the Mackenzie Art Gallery. The west parkade and adjacent roadway have been modified to accommodate large semi-trailer trucks transporting travelling art exhibits. Plans for the internal structure and relocation of present tenants have been completed.

Group living accommodation for inmates at Saskatchewan correctional centres received their final touches in 1988. Five correctional centre living units in the province have the capability of housing 40 inmates each.

The North Portal Visitor Reception Centre, the largest of five such centres in the province, was completed in June 1988. The facility was erected at a cost of nearly $1.2 million, almost half of which was spent in 1988. Another reception centre located in Lloydminster, is due for completion in 1989. These centres provide various tourist services and travel information.

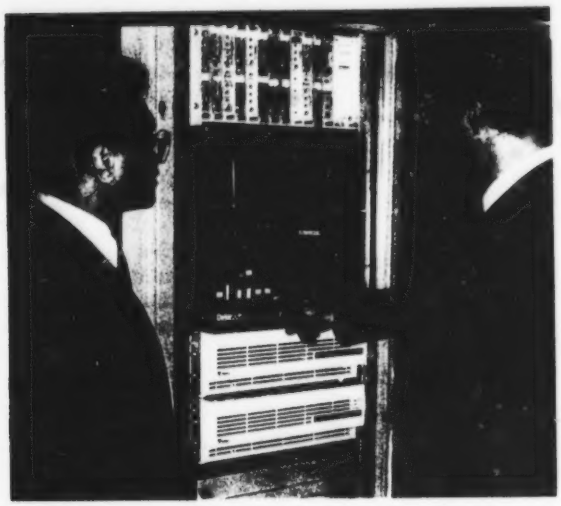
June 1988 witnessed an upgrading of the exterior lighting at the Legislative Building. This new system bolsters perimeter security while enhancing the beauty of the building and Legislative gardens.

Planning for the future makes good business sense. SPMC is taking a firm grip on tomorrow by implementing planning and project control systems which will guide us through the coming years.

The introduction of a comprehensive Project Management Control System has significantly increased project performance by analyzing each project and highlighting important time and budget constraints. This computerized database tracking system provides control and monitoring of committed, projected and actual dates and costs, as well as accumulating general information about projects to ensure efficient project management.

Another step SPMC has taken to ensure continued success in the future is to develop a Global Capital Forecast (GCF) as part of a new process for the budgeting and delivery of government supported capital projects. SPMC developed its first GCF in 1988, for the 1989-90 budget. The new process involves a two stage approval process, in which projects are approved in principle before departments submit detailed requests outlining project scope, cost and schedule.

New external lighting at the Legislative Building in Regina adds new beauty to this historic site.



SPMC's communications modem bank supports financial systems and an office automation network.

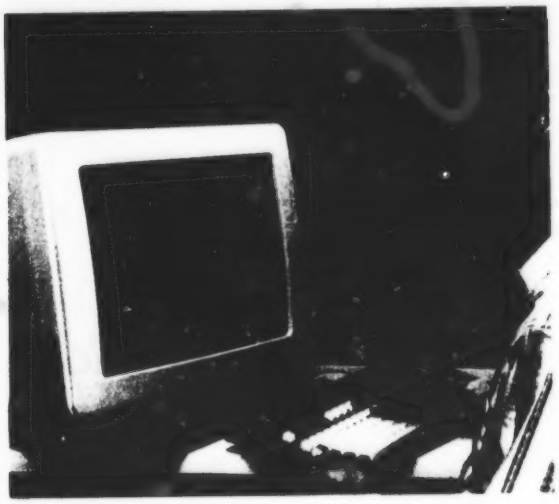
Structuring the Future of Communication

With the knowledge that good communication is the key to success in business, we are ensuring continued prosperity by preparing now for the communications technology of the future.

In 1988, SPMC initiated a pilot project to investigate the possibilities of optical computer storage technology. The optical disk system allows valuable information to be safely stored for recall over extended periods, minimizing the cost of paper storage. The security of printed information can be greatly increased, and optical disks allow for instantaneous retrieval and distribution of documents.

SPMC further facilitated government communications networking with the introduction of the facsimile co-ordination program in February. The program helps agencies meet their fax needs at the lowest possible cost. The first six weeks of the program saw more than 80 fax installations.

SPMC continued to guide the provincial government voice/data communications network through planning and implementation phases. The megastream network now services the Regina, Saskatoon, Prince Albert corridor, and plans call for extension of the service to other centres. This communications backbone will save taxpayers' money and position the government to use the integrated computer and communications technology of the 1990s.



SPMC is planning for the information needs of the future with an optical disk pilot project.

To meet the communications needs of the future, we began a program of installing Integrated Building Distribution Networks (IBDN) in all new and some existing facilities. IBDNs are user-friendly wiring systems that accommodate voice, data and communications networking and will replace more outdated wiring networks which are costly to re-use or locate. IBDNs, which have already been placed in two buildings and are being installed in two others, will eventually standardize communications wiring in all government buildings, saving time and money.

Saskatchewan clothing manufacturers are gaining national recognition for fine quality and unique design.

Supporting Saskatchewan Business

The efforts of SPMC's Buy Saskatchewan Agency are dedicated to helping Saskatchewan business solidify its future in new and expanding markets. Since the agency's inception in January 1987, it has helped Saskatchewan businesses secure over $140 million worth of contracts. Without Buy Saskatchewan these contracts may have been awarded out of the province. The agency has also been instrumental in the creation of 50 new product lines now being manufactured in the province. In addition, because other private and public sector organizations are committing themselves to the Buy Saskatchewan program, the agency has been indirectly responsible for hundreds of millions more in contracts to Saskatchewan suppliers and manufacturers.

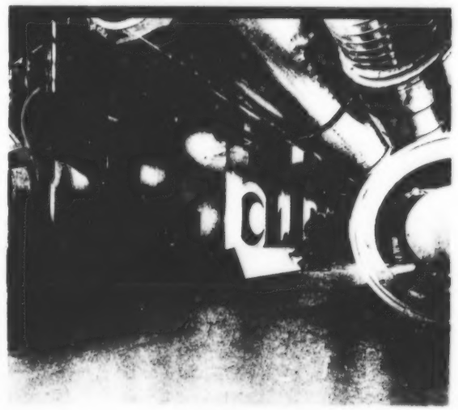
During 1988, the agency was directly involved in over $80 million worth of contracts going to competitive Saskatchewan firms. This figure includes approximately $60 million worth of engineering and construction contracts awarded on major projects. The remaining $20 million consists of goods and services supplied through ongoing procurement contracts in various other industries. A significant portion of this money went to manufacturers and suppliers in rural Saskatchewan. New product development also accounts for a part of this $20 million figure.

During the year, Buy Saskatchewan had several meetings with developers of two major Saskatoon projects: the City Hospital and the College of Agriculture Building on the University of Saskatchewan campus. The agency negotiated with each developer to "package" contracts in sizes Saskatchewan contractors could handle. As a result, Saskatchewan contractors were able to bid on all of the contracts tendered on these two projects and received 85 per cent of the total $250 million.

Serving our Clients

To reinforce our efforts to become a more client oriented organization, SPMC has developed several programs, including our new Client Service Branch, to assist clients to more effectively use our services.

SPMC also offers its clients continued security of their accommodation. Security Services initiated the Electronic Security Management System to monitor security and environment of government buildings. The system provides controlled access



The mechanical level at St. Paul's Hospital in Saskatoon was supplied entirely by Saskatchewan firms.

to buildings, intrusion alarm systems and fire and basic environment monitoring alarms. A prototype of the system was installed in a Regina facility as a test. The success of this test will lead to future installation of the system in other major complexes throughout government.

Security Services initiated a number of programs for clients, including an identification card program, a key tag program for retrieval of lost keys, and seminars on a number of security-related topics to increase awareness of security procedures and crime prevention.

The Photographic Services Agency played a significant role in the 29th Premiers' Conference held in Saskatoon during August 1988. The agency was commissioned to coordinate and provide extensive photographic coverage of the conference, including the official group portrait. Following the conference, the agency designed and produced special photograph albums which were presented to each premier and territorial government leader.

Operations and Services was reorganized last year to better use its people and resources to manage buildings across the province. The number of regions was reduced from seven to four. A new branch called Provincial Operations was created to coordinate provincial programs such as landlord maintenance, preventive maintenance, energy management, capital projects, employment safety and environmental concerns. Under the new organization, building operators now spend more time dealing directly with clients, improving service on a day to day basis.

The Technology of Survey and Mapping

The Central Survey and Mapping Agency (CSMA) is keeping up with the most advanced survey and mapping technology to better serve public and private clients.

Satellite and information management technology are helping to facilitate a modernization of Saskatchewan's basic survey and mapping systems into a computerized land information management format.

During 1988-89, SPMC signed a memorandum of understanding with the federal government on a Geographic Information Technology Development Program. The agreement supports a comprehensive Geographic Information System initiative being coordinated by CSMA, using computers to aid development and management of land-related resources.

Through joint ventures with other agencies, universities and industry, CSMA is researching the technology and developing standards to facilitate geographic information sharing. The transfer of this technology to industry resulted in 30 private sector jobs in 1988-89.

Standing Behind our Employees

SPMC could not succeed without the dedication of its employees. Our human resources are the single most important factor in the continued viability of the corporation. It is imperative that the corporation continue to solidify communication links with employees, and we are doing just that.

An internal communications framework consisting of three tiers, each representing a level of the corporation, was developed to facilitate information networking and corporate problem solving. This framework provides a forum for the review of corporate policies, initiatives and practices. By using this three tiered system, employees from all parts of the organization have direct input in the decision making process.

As a support service to SPMC employees, a committee of staff members and representatives of both unions has created policy and guidelines for an Employee Assistance Program. The program will provide support for employees whose work performance is hindered by personal problems. The committee will guide the program through its implementation, and staff members have been trained as referral agents to act as employee contacts.

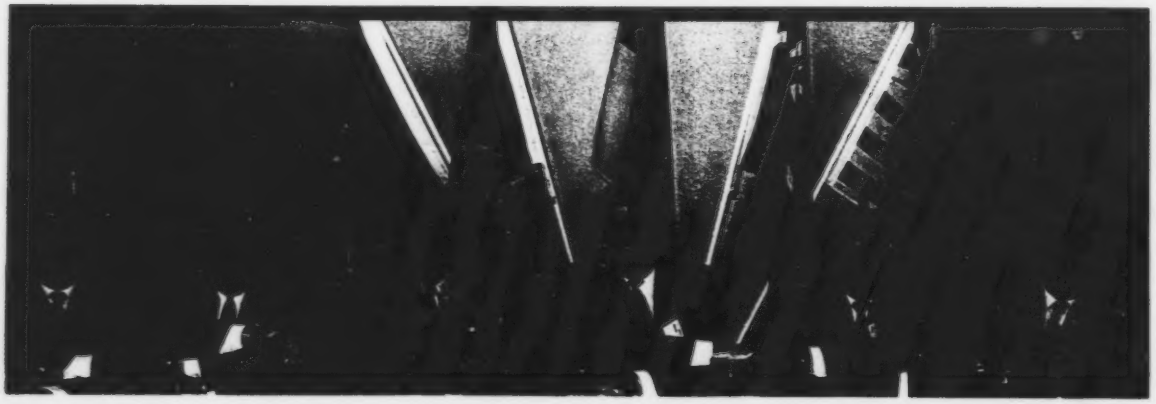
Meeting the Future of Western Canadian Trade

The Province of Saskatchewan has a great deal to offer trade partners both inside and outside the country. The 1988-89 fiscal year will be remembered as the starting point of increased trade between western provinces, and SPMC will play a large role in the development of new trade technology.

Procurement and trade ministers from the four western provinces signed an agreement in March 1989 to reduce interprovincial trade barriers and provide open tendering for government purchasing in Western Canada. The agreement applies to procurement of goods and services and to construction contracts.

A key part of the agreement and a major focus for SPMC's Procurement Division in the coming year is the development of the Western Procurement Information Network. The electronic network will provide tender information to suppliers on contracts and purchasing opportunities in all western provinces.

Overall, the agreement will be good for Saskatchewan: suppliers will now have access to a market several times larger, and buyers will benefit from increased competition in the marketplace.



Western Trade Ministers signed an agreement which opened the door to increased interprovincial trade in the future.

Protecting Saskatchewan Residents and Resources

Over the year, our provincial air ambulance program maintained a continuous emergency medical shuttle service. During the past twelve months, 553 patients were delivered to medical facilities both inside and outside the province. The air ambulance also continues to answer the need for medical attention outside the province for Saskatchewan residents.

The province's water-bombers had a busy season in 1988, battling a record number of forest fires in Saskatchewan with nearly two fires a day requiring air tanker response. The new state-of-the-art CL-215 water bombers were fitted with a foam injection system to make them even more effective in their role as airborne fire fighters.

In July, Saskatchewan residents were given a display of the effectiveness of their air tanker fleet when the CL-215s headlined a water bomber display at the Saskatchewan Air Show in Moose Jaw. Corporate participation in the Air Show also included a visual display describing how provincial and private resources are protected from fire.

Air Services' water bombers battled a record number of forest fires over the year while the air ambulance program delivered over 550 patients to hospital facilities both inside and outside the province.

Financial Report

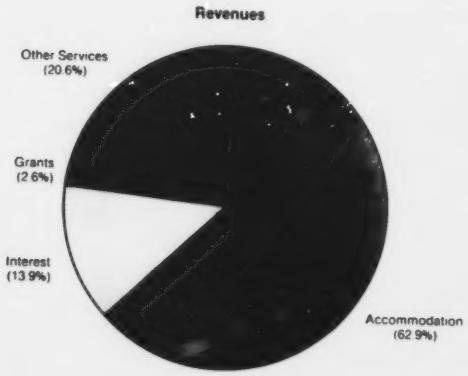
During 1988/89, SPMC continued its financial strategy of increasing its asset base and maintaining a strong financial position while offering quality, cost competitive services to our clients.

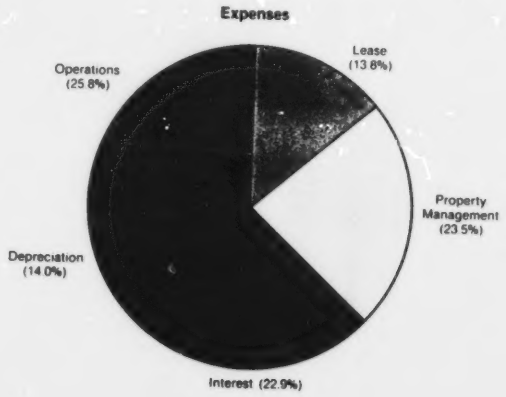
Capital construction activities were an important component of our growth, utilizing $92 million for construction projects and financing of capital projects. At the year end another $197 million was committed for capital development projects in future years, securing a strong capital base for SPMC as we head into the 1990's.

Revenues increased $31 million over the previous year, mainly due to new capital facilities and financing of capital projects. Expenses over the period increased $41 million of which $14 million related to increased depreciation on newly acquired capital assets and $11 million to increased financing costs for capital activities. SPMC recorded a net income of $1.6 million.

SPMC participated with the Province of Saskatchewan on three issues of long term debt providing net proceeds of $102 million. The debt issues ranging from three to five year terms, bear favorable interest rates from 9.88% to 10.5%. These debt issues double SPMC's long term debt holdings strengthening its debt portfolio. Proceeds from the debt were used primarily to finance capital acquisitions and lending activities.

SPMC's fiscal performance in 1988-89 is laying a strong foundation for financial stability. With increasing cost and market pressures, management believes its key success factors in serving its clients are to provide quality services throughout its operation and to continue to focus on increasing productivity and managing expenses.





Report of Management

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Board of Directors. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position and the results of operations and changes in cash flow.

The corporation's accounting systems and internal control systems are designed to provide reasonable assurance that assets are properly safeguarded and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The financial statements have been examined by the corporation's external auditor whose report is set out below.

Shirley Raab
Vice President, Finance

Auditor's Report

To the Members of the
Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Property Management Corporation as at March 31, 1989 and the statements of income and retained earnings and of cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Auditors
June 22, 1989

Saskatchewan Property Management Corporation
Statement of Financial Position

As at March 31

Assets	1989	1988
	(Thousands of Dollars)	
Real Estate Investments (note 3)	$ 551,724	$ 550,065
Loans Receivable	362,469	281,184
Equipment (note 4)	36,088	33,551
Accounts Receivable	25,422	33,209
Other (note 5)	10,115	8,116
Cash	809	4,209
	$ 986,627	**$ 910,334**
Liabilities and Equity		
Promissory Notes (note 6)	$ 232,236	$ 240,836
Long Term Debt (note 7)	202,278	112,114
Capital Lease Obligation (note 8)	75,581	73,177
Accounts Payable	34,513	24,565
	544,608	450,692
Province of Saskatchewan Equity (note 9)	433,198	432,450
Retained Earnings		
Unappropriated	2,821	22,192
Appropriated for Insurance	6,000	5,000
	442,019	459,642
	$ 986,627	**$ 910,334**

(See accompanying notes to the Financial Statements)

Saskatchewan Property Management Corporation
Statement of Income and Retained Earnings

For the Year Ended March 31

Revenues	**1989**	**1988**
	(Thousands of Dollars)	
Accommodation	$ 163,969	$ 146,270
Interest	36,179	25,222
Grants	6,763	8,102
Other Services	53,609	49,788
	260,520	229,382
Expenses		
Lease	28,370	26,527
Property Management	48,354	37,065
Interest - Capital Leases	10,171	10,131
- Other Debt	36,828	26,068
Depreciation	28,872	15,059
General Operations	53,037	49,603
	205,632	164,453
Income Before the Following	**54,888**	**64,929**
Participation Credit	54,440	42,660
Gain on Sale of Real Estate and Equipment	1,181	2,030
Net Income	**1,629**	**24,299**
Retained Earnings, Beginning of Year	22,192	2,893
Appropriated for Insurance	1,000	5,000
Dividend	20,000	-
Retained Earnings, End of Year	**$ 2,821**	**$ 22,192**

(See accompanying notes to the Financial Statements)

Saskatchewan Property Management Corporation
Statement of Cash Flow
For the Year Ended March 31

Operating Activities	1989	1988
	(Thousands of Dollars)	
Net Income	$ 1,629	$ 24,299
Non Cash Items Affecting Operations		
Depreciation	28,872	15,059
Gain on Sale of Real Estate and Equipment	(1,181)	(2,030)
Accrued Interest on Loans	(22,750)	(18,471)
Loans	(67,972)	(115,088)
Collection of Loans	9,437	6,837
Net Change in Accounts Receivable, Other Assets and Accounts Payable	7,377	(37,345)
	(44,588)	(126,739)
Dividend		
Dividend Paid	(20,000)	-
Investing Activities		
Purchases of Real Estate, Capital Leases and Equipment	(27,009)	(434,570)
Proceeds on Sale of Real Estate and Equipment	3,496	3,584
	(23,513)	(430,986)
Financing Activities		
Province of Saskatchewan Equity (note 9)	748	343,132
Proceeds (Repayment) of Promissory Notes	(8,600)	58,843
Proceeds from Long Term Debt	102,302	99,418
Capital Lease Obligation	4,000	73,603
Repayment of Long Term Debt	(12,138)	(1,297)
Repayment of Capital Lease Obligation	(1,611)	(1,275)
	84,701	572,424
Increase (Decrease) in Cash for Year	**(3,400)**	**14,699**
Cash (Bank Indebtedness), Beginning of Year	**4,209**	**(10,490)**
Cash, End of Year	**$ 809**	**$ 4,209**

(See accompanying notes to the Financial Statements)

Saskatchewan Property Management Corporation
Notes to the Financial Statements
March 31, 1989

1. Status of the Corporation

The Saskatchewan Property Management Corporation was established under the Crown Corporations Act, 1978 by Order in Council #357-86 of 1986 and continues under the Saskatchewan Property Management Corporation Act, 1987.

The Corporation has been established to assume the public works activities, real estate management and capital property financing for third parties

2. Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

a) Real Estate Investments
Properties transferred from the Province of Saskatchewan are stated at appraised value at the date of transfer, determined by techniques generally accepted in the appraisal industry.

Other properties are stated at the lower of cost and net realizable value.

The Corporation capitalizes all direct costs relating to projects under construction. In addition the Corporation capitalizes a portion of general and administrative expenses and interest.

b) Equipment
Equipment transferred from the Province of Saskatchewan is stated at depreciated historical cost at the date of transfer.

Equipment purchased by the Corporation is stated at the lower of cost and net realizable value.

c) Depreciation
Depreciation on properties is recorded on a straight line basis over their estimated useful lives. The estimated useful lives of the properties are mainly between 5 and 60 years. The average useful life approximates 20 years.

Depreciation on equipment is recorded on a straight line basis over the expected service life of each asset ranging from two to five years.

d) Inventories
Inventories are stated at the lower of cost and net realizable value.

e) Amortization of Debt Discount, Premium and Issue Expenses
Debt discount, premium and issue expenses are amortized on a straight line basis over the term of the applicable debt.

3. Real Estate Investments

	Land	Buildings	1989 Total	1988 Total
		(Thousands of Dollars)		
In Operation				
Owned	$ 47,124	$ 443,111	$ 490,235	$ 472,045
Under Capital Lease	6	74,433	74,439	70,440
Under Construction	-	11,469	11,469	12,230
Held for Development	1,029	-	1,029	1,029
Held for Disposal	1,540	348	1,888	1,860
	49,699	529,361	579,060	557,604
Accumulated Depreciation				
Owned	-	(19,306)	(19,306)	(3,609)
Under Capital Lease	-	(8,030)	(8,030)	(3,930)
	$ 49,699	$ 502,025	$ 551,724	$ 550,065

During the year the following expenses were capitalized:

Interest	$ 377	$ 870
General and Administrative	886	456
	$ 1,263	$ 1,326

4. Equipment

	1989	1988
	(Thousands of Dollars)	
Vehicles	$ 37,188	$ 30,128
Aircraft	6,353	6,097
Other Equipment	8,421	4,902
	51,962	41,127
Accumulated Depreciation	(15,874)	(7,576)
	$ 36,088	$ 33,551

5. Other Assets

	1989	1988
	(Thousands of Dollars)	
Inventories of Parts and Supplies	$ 5,195	$ 5,235
Prepaid Expenses	2,085	1,634
Work in Progress	1,815	665
Unamortized Issue Expenses and Debt Discount and Premium on Long Term Debt	1,020	582
	$ 10,115	$ 8,116

6. Promissory Notes

As at March 31, 1989, the Corporation has interest bearing promissory notes outstanding of $212,236,000 (1988 - $240,836,000) due to the Province of Saskatchewan. These notes are due June 30, 1989 and have an average interest rate of 12.25% (1988 - 8.63%).

The Corporation has a non-interest bearing promissory note of $20,000,000 (1988 - nil) from the Province of Saskatchewan which is due on March 31, 1990.

7. Long Term Debt

Province of Saskatchewan Notes:

Percent	Issue Date	Due Date	1989 Balance	1988 Balance
			(Thousands of Dollars)	
10.00% (a)	Feb 2/88	May 1/98	$ 50,000	$ 50,000
9.75%	Feb 25/88	Feb 25/93	50,000	50,000
9.88%	Jul 21/88	Jul 21/91	25,000	-
10.25%	Nov 10/88	Nov 10/93	50,000	-
10.50%	Feb 23/89	Feb 23/94	25,000	-
			$ 200,000	$ 100,000
Saskatchewan Economic Development Corporation:				
11.25% Loan payable in monthly installments of $24,152 including interest			2,278	
Crown Management Board:			-	12,114
			$ 202,278	$ 112,114

Principal repayments required over the next five years, in thousands of dollars, are as follows:

1989/90	$ 35
1990/91	39
1991/92	25,043
1992/93	50,049
1993/94	75,056

(a) This issue is retractable after May 1, 1991 at the option of the investor. If the option is not exercised the interest rate for the remaining 7 years will be 10.25%.

8. Capital and Operating Lease Obligation

Future minimum lease payments under capital and operating leases are:

Fiscal Year	Capital Leases	Operating Leases
	(Thousands of Dollars)	
1989/90	$ 13,811	$ 26,643
1990/91	13,877	24,272
1991/92	13,927	22,361
1992/93	13,972	19,123
1993/94	13,955	15,459
Subsequently	163,604	90,624
	$ 233,146	$ 198,482
Less Interest Implicit in Leases at an average rate of 13.26%	122,964	
Executory Costs	34,601	
	157,565	
	$ 75,581	

Capital leases expire at various dates up to February 1, 2012.

9. Province of Saskatchewan Equity

The Province of Saskatchewan has contributed equity to the Corporation through assets and liabilities transferred to the Corporation. The amount transferred in 1988/89 was $747,720 (1987/88 $343,132,000).

10. Commitments

As at March 31, 1989 the Corporation has the following significant commitments:

a) Construction of $2,877,400
b) Loan advances of $194,204,000
c) Equipment of $7,196,000

11. Related Party Transactions

The Corporation received substantially all of its revenues from Saskatchewan Crown controlled departments, agencies, corporations and public institutions. These revenues primarily are determined with reference to market; however in such cases where comparable market rates do not exist, rates are based on the operating costs and the amortization of the related capital costs.

Included in these financial statements are expenses resulting from routine operating transactions conducted at prevailing market rates with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

The participation credit shown in the Statement of Income and Retained Earnings represents a return of profit based on the volume of accommodation business and is applied to Saskatchewan crown departments and agencies which are funded through the provincial treasury.

Account balances resulting from these transactions are included in the statement of financial position and are settled in normal trade terms.

12. Additional Information

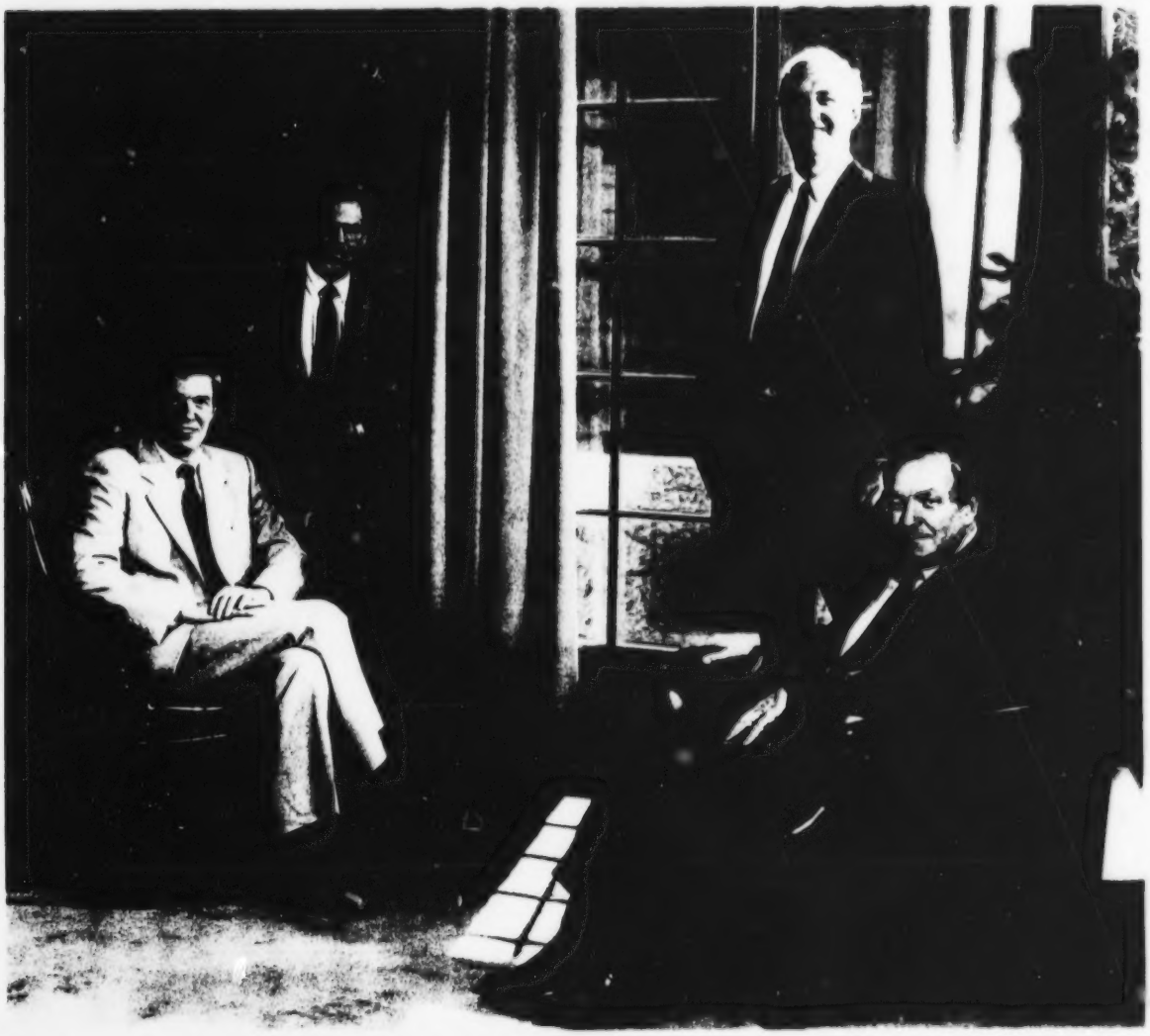
a) School Board Funding
During 1986/87 the Corporation received $20,950,000 from the Consolidated Fund to provide funding for various school board construction projects. At March 31, 1989, $2,403,420 (1988 - $5,069,510) was unpaid and is included in Accounts Payable.

b) Loans Receivable
The agreements state that the Crown undertakes to pay the Corporation on behalf of the borrower, an annual grant equal to the annual installment of principal and interest. The borrower irrevocably authorizes and directs the Crown to pay annual amounts to the Corporation on its behalf to be applied in payment of principal and interest. In addition, the agreement provides that the borrowers' obligation to repay all installments of principal and interest as they become due shall be conditional upon the Crown's continued payment of the annual grant.

13. Comparative Figures

Certain of the 1987/88 figures have been reclassified to conform to the current year's presentation.

Board of Directors



Saskatchewan Property Management Corporation Board of Directors. Standing Lorne Hepworth, Director and George McLeod, Director. Seated J. Gary Lane, Q.C., Vice Chairman and Graham Taylor, Chairman of the Board.

Senior Management

Otto Cutts
President

Alan Moffat
Vice President
Information Systems

Doug Kozak
Director
Client Services

Ian Laidlaw
Vice President
Operations and Services
Procurement

Jim Penrod
Vice President
Corporate and
Human Resource Services

Ken Rankin
Vice President
Realty

Brian Eger
Vice President
Facility Planning & Management

Shirley Raab
Vice President
Finance and Administration

Chris Hecht
Acting Vice President and
General Manager
Information Technology
Management Agency

Harry Stienwand
Assistant Vice President
Security

Tom Douglas
Vice President and
General Manager
Buy Saskatchewan Agency

John Turnbull
Director
Central Survey and Mapping

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Management Corporation
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Moose Jaw, Saskatchewan
S6H 6V2

3rd Floor, E.I. Wood Building
350 Cheadle Street West
Swift Current, Saskatchewan
S9H 4G3

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1146 - 102nd Street
North Battleford, Saskatchewan
S9A 1E7

9th Floor, McIntosh Mall
800 Central Avenue
Prince Albert, Saskatchewan
S6V 6Z2

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1328 La Ronge Avenue
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La Ronge, Saskatchewan
S0J 1L0

10th Floor, Sturdy-Stone Centre
122-3rd Avenue North
Saskatoon, Saskatchewan
S7K 2H6

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Yorkton, Saskatchewan
S3N 1R4

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